

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT) CASE NO.
FILING OF NEBO WATER DISTRICT) 2017-00329

ORDER

On August 28, 2017, Nebo Water District (“Nebo”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Nebo reported a water loss of 17.6115 percent.² Nebo’s application provides updated purchases and sales information for a more current period than the 2016 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes a utility’s unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Nebo’s unaccounted-for water loss is determined to

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 61, line 33.

³ 2016 Annual Report, at 61, line 21, divided by line 4, (3,272 divided by 111,609) equals 2.93 percent.

be 20.5491 percent for the updated period.⁴ Reduction of Nebo's unaccounted-for water loss to 15 percent would result in an approximate \$27,680⁵ decrease to purchased water expense. Potentially, Nebo is paying \$0.32 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Nebo to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Nebo to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Nebo purchases water from the city of Madisonville ("Madisonville") and Webster County Water District.
2. Madisonville notified Nebo on June 28, 2017, that its wholesale rate would increase from \$4.13 per 1,000 gallons to \$4.39 per 1,000 gallons effective August 9,

4 Total Purchases (application PWA Form 1 at 2)	113,628,000
Less Total Sales (application PWA Form 1 at 2)	86,948,000
Less plant use (% determined from 2015 AR)	<u>3,330,437</u>
Water loss - gallons	23,349,563
Water loss - percent	20.5491
Water loss – above 15 percent	5.5491

⁵ Potential purchased water expense reduction (cost at new wholesale rate times water loss above 15 percent) = \$ 27,680.

⁶ Potential purchased water expense reduction divided by sales (\$27,680/(86,948,000/1,000) equals \$0.3184/1,000.

2017.⁷ Nebo proposed to increase the water rates to its customers effective August 9, 2017, to reflect the increased cost of purchased water from Madisonville.

3. Nebo proposes a purchased water adjustment factor of \$0.34 per 1,000 gallons.

4. During the 12 months ended June 30, 2017, Nebo purchased 111,016,000 gallons of water from Madisonville. During the same period, Nebo sold 86,948,000 gallons of water. The increase in the cost of purchased water is \$29,543.28, resulting in a purchased water adjustment factor of \$0.34 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.34 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved as requested by Nebo.

6. Nebo's proposed rates, as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Nebo on and after August 9, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.34 per 1,000 gallons is approved.

2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Nebo on and after August 9, 2017.

⁷ Case No. 2017-00133, Electronic Proposed Adjustment of the Wholesale Water Service Rates of Madisonville Water Distribution. (Ky. PSC. Aug. 9, 2017)

3. Within 20 days of the date of this Order, Nebo shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission



ATTEST:



Acting Executive Director

Case No. 2017-00329

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00329 DATED **SEP 20 2017**

	New Rate	Base Rate
Nebo Water Madisonville Purchases in gallons	113,628,000	113,628,000
	<u>\$ 4.39/1,000</u>	<u>\$ 4.13/1,000</u>
Total	\$498,826.92	\$469,283.64
Increased water cost		\$ 29,543.28
Increased water cost		\$ 29,543.28
Divided by gallons sold/1,000		<u>86,948,000</u>
Purchased water adjustment factor		\$ 0.33795 per 1,000 gallons or \$ 0.34 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00329 DATED **SEP 20 2017**

The following rates and charges are prescribed for the customers in the area served by Nebo Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8-Inch X 3/4-Inch Meter

First 2,000 Gallons	\$22.83 Minimum Bill
Next 2,000 Gallons	9.41 per 1,000 gallons
Next 6,000 Gallons	8.91 per 1,000 gallons
Next 10,000 Gallons	8.42 per 1,000 gallons
Over 20,000 Gallons	7.92 per 1,000 gallons

1-Inch Meter

First 4,000 Gallons	\$41.65 Minimum Bill
Next 6,000 Gallons	8.91 per 1,000 gallons
Next 10,000 Gallons	8.42 per 1,000 gallons
Over 20,000 Gallons	7.92 per 1,000 gallons

1 1/2-Inch Meter

First 10,000 Gallons	\$95.11 Minimum Bill
Next 10,000 Gallons	8.42 per 1,000 gallons
Over 20,000 Gallons	7.92 per 1,000 gallons

2-Inch Meter

First 20,000 Gallons	\$179.31 Minimum Bill
Over 20,000 Gallons	7.92 per 1,000 gallons

3-Inch Meter

First 30,000 Gallons	\$258.51 Minimum Bill
Over 30,000 Gallons	7.92 per 1,000 gallons

4-Inch Meter

First 50,000 Gallons	\$416.91 Minimum Bill
Over 50,000 Gallons	7.92 per 1,000 gallons

*J.E. Ellis
Chairman
Nebo Water District
45 North Bernard Street
Nebo, KY 42441

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